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## South Africa, Republic of

## Tobacco and Products

## Annual

## 2004

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**Report Highlights:**

South Africa currently only produces flue- and air-cured tobacco. The 2004 crop now being harvested is estimated at 31,000 tons, compared to the 37,000 tons produced in 2003. The decrease is due to reduced plantings brought about by a late start to the rainfall season. Domestic consumption amounts to about 34,000 tons. Cigarette consumption varies between 27 and 29 billion annually, influenced by high taxes and strict anti tobacco legislation.

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Includes PSD Changes: Yes  
Includes Trade Matrix: Yes  
Annual Report  
Pretoria [SF1]  
[SF]

## Summary

Two types of tobacco are produced in South Africa: Flue cured, which is used mainly for cigarettes; and Air cured, which is mainly used as pipe tobacco, snuff and RYO (roll your own cigarettes).

Flue cured production is about 28 to 30 million kg per annum, of which 40% to 45% is used for local consumption and the balance exported mainly to Europe, the Middle and Far East and other African countries.

Air cured production is around 4 to 5 million kg per annum, of which 60% to 70% is used for local consumption.

The latest estimate for the 2004 crop, currently being harvested, is 31,000 tons compared to the 37,400 tons produced in 2003. The decrease is due to a cutback in area planted brought about by a late start to the rainfall season. Domestic consumption amounts to about 34,000 tons annually. With the big carryovers of maturing tobacco and lively international trade, the smaller crop does not constitute a major problem.

Cigarette consumption varies between 27 and 29 billion annually. Taxes constitute about 50% of the retail price making tax avoidance, smuggling and counterfeiting profitable. Ant-tobacco legislation is harsh.

Sources:

[www.Tobaccosa.co.za](http://www.Tobaccosa.co.za)

[www.batsa.co.za](http://www.batsa.co.za)

US Dollar 1 = Rand 6.85 (04/30/04).

## Unmanufactured tobacco

Commodity	Tobacco, Unmfg., Total							
	Metric tons	2002	Revised	2003	Estimate	2004	Forecast	
Hectares		USDA [Old]	Post [New]	USDA [Old]	Post [New]	USDA [Old]	Post [New]	
Market Year Begin		01/2002		01/2003		01/2004		
Area Planted		14400	14735	13700	13620	0	11500	
Beginning Stocks		27990	27990	27620	30490	27070	43395	
Farm Sales Weight Prod		29500	33023	2900	37402	0	31005	
Dry Weight Production		26850	29720	26400	33660	0	27905	
U.S. Leaf Imports		188	188	200	116	0	100	
Other Foreign Imports		25527	25527	18800	29744	0	24500	
TOTAL Imports		25715	25715	19000	29860	0	24600	
TOTAL SUPPLY		80555	83425	73020	94010	27070	95900	
Exports		18920	18920	14500	16715	0	19500	
Dom. Leaf Consumption		14500	14500	14000	14500	0	14400	
U.S. Leaf Dom. Consum.		200	200	200	100	0	100	
Other Foreign Consump.		19315	19315	17250	19300	0	19000	
TOTAL Dom. Consumption		34015	34015	31450	33900	0	33500	
TOTAL Disappearance		52935	52935	45950	50615	0	53000	
Ending Stocks		27620	30490	27070	43395	0	42900	
TOTAL DISTRIBUTION		80555	83425	73020	94010	0	95900	

## Production

South Africa is currently only producing flue-and air-cured tobacco, but air-cured production is declining and currently constitutes only about 10% of the crop. The following table contains final 2002 and 2003 data and the 2004 estimate:

South Africa, farm sales weight tobacco production:

	2002	2003	2004
Area planted, ha.			
Flue cured	12 625	11 870	10 420
Air cured	2 110	1 750	1 080
Total	14 735	13 620	11 500
Production, Mt.			
Flue cured	26 763	32 702	27 595
Air cured	6 260	4 700	3 410
Total	33 023	37 402	31 005

Although the average 2004 yield is only 2.7 tons per hectare compared to 2.75 in 2003, the crop is looking good, notwithstanding a difficult production season. Harvesting has commenced and in some areas drying capacity is under pressure because of early ripening due to the warm, dry, weather and late rain.

The detailed crop estimate follows:

2004 Harvest	Flue cured Area, ha	Production Mt.	Air cured Area, ha.	Production Mt.	Total Area, ha.	Production Mt.
Limpopo	2415	7820	950	3150	3365	10970
Loskop	3320	7300	0	0	3320	7300
Nelspruit	2500	6950	0	0	2500	6950
Rustenburg	2170	5480	0	0	2170	5480
Cape	15	45	130	260	145	305
Total	10,420	27595	1080	3410	11500	31005

The average growers and selling prices for flue cured tobacco over the past few seasons and the 2004 forecast follows:

Season	Growers price Rand/kg.	Selling price Rand/kg.
2000	R12.63	R22.97
2001	14.51	26.38
2002	19.74	35.88
2003	17.39	31.62
2004 Forecast*	18.45	33.45

\* The price is influenced by the Rand/dollar exchange rate

## Consumption

Total domestic consumption is around 34,000 tons annually. With the time lag between production and use, a clear trend has not yet developed. There are conflicting views about consumption increasing or decreasing in spite of the government's anti tobacco stance.

The primary industry relates to all grower aspects. This means the actual growing, harvesting, curing, grading and delivery of unprocessed tobacco leaves to a processing plant.

In South Africa the processing facilities belong to tobacco farmers in the form of companies or co-operatives. Farmers are paid for their tobacco at the point of delivery according to a valuation being placed on every bale of tobacco. After this, the tobacco is processed and packed according to specifications of manufacturers and/or leaf dealers. In South Africa the value added by processing the tobacco belongs to the farmers. The dispatching of processed tobacco from the processing plant indicates the link between the primary and the secondary industry.

Apart from farmer co-operatives and companies, tobacco merchants or leaf dealers are also part of the primary industry. These companies are known as intermediary buyers. They buy processed tobacco from processing plants according to specifications of their clients, who are manufacturers of tobacco products. In South Africa the leaf dealers mostly buy tobacco from grower co-operatives or companies, although some air cured tobacco is bought directly from contracted growers.

In South Africa there are cigarette factories as well as factories which manufacture pipe tobacco products and snuff. These factories are technologically highly advanced and are increasingly manufacturing higher volumes for the export market. The British American Tobacco Company has a ninety percent market share.

## Trade

South Africa imports and exports tobacco to satisfy blending needs.

## Import Trade Matrix

**Country** South Africa,  
**Commodity** Tobacco, Total

Time Period	Jan-Dec	Units:	Mt.
Imports for:	2002		2003
U.S.	188	U.S.	116
Others		Others	
Zimbabwe	6484	Zimbabwe	7113
Brazil	5140	Brazil	5401
China	1224	China	3256
India	2258	India	2417
Malawi	2238	Malawi	2025
Uganda	325	Uganda	1715
Turkey	199	Turkey	614
Paraguay	947	Paraguay	835
Tanzania	1872	Tanzania	722
Zambia	1758	Zambia	627
Total for Others	22445		24003
Others not Listed	3270		5857
Grand Total	25715		29860

Zimbabwe is shown as the main source of imports consisting mainly of flue cured tobacco. Brazil is the next biggest supplier while Malawi supplies mainly air-cured and burley tobacco. The general rate of import duty on tobacco is 15% ad valorem or R8.60 /kg. less 85% (R1.30/kg.). Imports from SADC (Southern African Development Community) members are duty free, overriding the original Malawian and Zimbabwean trade agreements. Under the WTO market access agreement, a tariff rate quota of 16,773 tons of tobacco is allowed to be imported at a reduced rate of 8.8%, making the 15% general rate of duty virtually redundant.

# Export Trade Matrix

**Country** South Africa,  
**Commodity** Tobacco, Total

Time Period	Jan-Dec	Units:	Mt.
Exports for:	2002		2003
U.S.	1914	U.S.	572
Others		Others	
Zimbabwe	2915	Zimbabwe	3446
Turkey	79	Turkey	1892
China	743	China	1779
Belgium	367	Belgium	1133
Egypt	108	Egypt	1091
Russian Fed.	491	Russian Fed.	930
Jordan	485	Jordan	854
Greece	329	Greece	585
Total for Others	5517		11710
Others not Listed	11488		4435
Grand Total	18919		16717

The export matrix shows Zimbabwe as the major destination. Some of the tobacco is sent to Zimbabwe for blending while others are sent for cleaning and processing after the local handling agreements collapsed. The decline in the Zimbabwean tobacco crop has led to excess handling capacity becoming available while the exchange rate makes it cheap. The rest of the crop, which may include some re-exports, goes to various destinations.

## Legislation

"The Tobacco Products Control Act, [Act 83 of 1993](#) as amended by Act 12 of 1999"

Bans advertising and sponsorship  
Bans smoking in public and work places.  
Places restrictions on the use of vending machines  
Provides for maximum yields of constituents  
Bans single stick sales  
Bans free distribution and reward  
Provides for fines

"[Regulations, 2 December 1994](#)"

Prescribes health warnings on packs  
Packaging and labeling requirements

[Regulations, 29 September 2000](#)"

Tar and nicotine levels  
Point of Sale

Sponsorship and advertising  
Smoking in public places

For updates on the legislation see the [tobaccosa.co.za](http://tobaccosa.co.za) website.

Commodity	Tobacco, Flue		Cured			
Hectare	2002	Revised	2003	Estimate	2004	Forecast
Metric ton	USDA [Old]	Post [New]	USDA [Old]	Post [New]	USDA [Old]	Post [New]
Market Year Begin	01/2002		01/2003		01/2004	
Area Planted	0	12625	0	11870	0	10420
Beginning Stocks	0	21555	0	17875	0	24890
Farm Sales Weight Prod	0	26763		32702	0	27595
Dry Weight Production	0	24085	0	29430	0	24835
U.S. Leaf Imports	0	0	0	0	0	0
Other Foreign Imports	0	19285	0	22400	0	18450
TOTAL Imports	0	19285	0	22400	0	18450
TOTAL SUPPLY	0	64925	0	69705	0	68175
Exports	0	18750	0	16500	0	19250
Dom. Leaf Consumption	0	16850	0	16750	0	16800
U.S. Leaf Dom. Consum.	0	0	0	0	0	0
Other Foreign Consump.	0	11450	0	11565	0	11500
TOTAL Dom. Consumption	0	28300	0	28315	0	28300
TOTAL Disappearance	0	47050	0	44815	0	47550
Ending Stocks	0	17875	0	24890	0	20625
TOTAL DISTRIBUTION	0	64925	0	69705	0	68175

## Cigarettes

## PSD Table

**Country** South Africa  
**Commodity** Cigarettes

Millions	2002	Revised	2003	Estimate	2004	Forecast
	USDA [Old]	Post [New]	USDA [Old]	Post [New]	USDA [Old]	Post [New]
Market Year Begin	01/2002		01/2003		01/2004	
Filter Production	25545	33741	25545	33915	0	33835
Non-Filter Production	1630	1776	1630	1785	0	1780
TOTAL Production	27175	35517	27175	35700	0	35615
Imports	375	202	375	368	0	285
TOTAL SUPPLY	27550	35719	27550	36068	0	35900
Exports	2000	8217	2000	8568	0	8400
Domestic Consumption	25550	27502	25550	27500	0	27500
TOTAL DISTRIBUTION	27550	35719	27550	36068	0	35900

## Production

Cigarette statistics have been confusing as high local taxes made smuggling and fraud very lucrative. Trade data were very unreliable over the past few years affecting the other data in the PS&D. The situation is being investigated and some loopholes have been closed, including the closing down of two illegal fully automatic cigarette factories. These factories apparently used smuggled tobacco and avoided all customs and excise duties. The following table contains the duties payable on cigarettes:

Tobacco excise tax	Excise per 20 cigarettes (Rands)	GST/VAT	Retail Price (Most Popular Price Class)
1994	0.71	0.34	2.80
1995	0.88	0.41	3.30
1996	1.04	0.45	3.70
1997	1.58	0.60	4.90
1998	2.04	0.77	6.00
1999	2.45	0.92	7.30
2000	2.83	0.98	8.00
2001	3.17	1.06	8.80
2002	3.51	1.19	9.70
2003	3.89	1.32	10.75
2004	4.53	1.49	12.00

It is clear that at current levels customs and excise duties and the general sales tax (VAT) amounts to R6.02 or about 50% of the retail price. This makes avoidance very lucrative. The South African Revenue Service (SARS) and the police are working on the problem and are hoping to clear up some of the activities. Recorded imports are shown in the following table:



# Import Trade Matrix

**Country** South Africa,

**Commodity** Cigarettes

Time Period	Jan-Dec	Units:	Kg.
Imports for:	2002		2003
U.S.	17473	U.S.	33160
Others		Others	
UAE	7	UAE	63,394
UK	58166	UK	54529
Zimbabwe	47731	Zimbabwe	49986
China	0	China	37619
Japan	690	Japan	23140
France	22940	France	9256
India	705	India	6845
Egypt	2	Egypt	6755
Germany	262	Germany	6062
Switzerland	4141	Switzerland	4433
Total for Others	134644		262019
Others not Listed	33951		45086
Grand Total	168595		307105

The export figures constitute more of a problem as excise duty avoidance is considered a major problem.

# Export Trade Matrix

**Country** South Africa,

**Commodity** Cigarettes

Time Period **Jan-Dec** Units: **Kg.**

Exports for: **2002** **2003**

U.S. **6780** U.S. **906011**

Others Others

Angola	1551758	Angola	1317106
Nigeria	298537	Nigeria	1171140
UAE	657285	UAE	1039760
Congo	825621	Congo	978248
Niger	800836	Niger	589412
Mozambique	1605088	Mozambique	177221

Total for Others **5739125** **5272887**

Others not Listed **1101713** **960832**

Grand Total **6847618** **7139730**

We had to adjust the 2002 figures to more acceptable levels while SARS have basically discarded the 2001 figures. The 2003 figures are considered to be reliable although there are still some doubts.